

FINANCE COMMITTEE MINUTES

The meeting was held remotely via Google Meet

January 17, 2023

7:30 a.m.

Members in Attendance:

Jamie Bente, Scott Gerdes, Chad Wolff, Christopher Nelson, Richard Olson, John Bellingham, Joel Olson, Stacy Fox, Rob Dehnert, Meghan Knutson, Jason Engbrecht, Roxanne Hill

Others in Attendance:

Members Absent:

David Campbell

Meeting was called to order at 7:30 am

1. Business Items

- a. Motion by Mr. Bellingham to approve the minutes from the December 5, 2022 Finance Committee Meeting, second by Mr. Wolff. Motion passed.
- b. One of the new members, Mr. Campbell, was unable to join, Mr. Gerdes introduced Ms. Hill and she told the committee a bit about herself.
- c. Mr. Gerdes presented a proposed schedule of calendar year 2023 finance committee meetings. Motion by Mr. Joel Olson to approve, seconded by Mr. Richard Olson. Motion passed.

2. Financial Performance

- a. Mr. Gerdes presented the December enrollment report. We had 3230, which is up from the 3124 revised estimate by 72 ADM. Much of the increase is due to the PSEO modeling change, but there is a good portion that represents actual higher enrollment than projected.
- b. Mr. Gerdes shared the December comparative financial report and pointed out that electric rates remain high, and that it might warrant adjustment to the final budget in the future if it remains high. The self-insurance fund continues to increase, and our claims ratio was at 82%, which indicates a very healthy plan for the first six months of the year.
- c. Mr. Gerdes presented the investment report, pointing out that we added roughly \$1.9 million in a ladder portfolio of new CDs to maximize interest earnings.
- d. Mr. Gerdes presented the December analytical summary. It looks like the district will end the year roughly where we did last year which is in line with our revised budget. The report is fairly consistent with prior years apart from the revenue mix, which is largely due to reduced federal money.

3. Financial Strategies

- a. Mr. Gerdes and Mr. Nelson presented the revised budget. The revised budget shows a better ending fund balance when compared to the original adopted budget. Motion by Mr. Engbrecht to approve the revised budget, seconded by Mr. Joel Olson. Motion passed.
 - b. Mr. Gerdes presented the enrollment projection and explained that typically, these enrollment projections are done in February but are being presented ahead of the usual schedule to allow for earlier five-year forecasting. He shared that the district has different models available from several different sources, including from financial firms we do business with, software vendors, Region V, and the MN Department of Education. As is our standard practice, we removed the lowest and highest value, and averaged the remaining values to arrive at the projection shared. Motion by Mr. Bente to approve the enrollment projection, seconded by Mr. Wolff. Motion passed.
 - c. Mr. Gerdes and Mr. Nelson presented the five-year forecast. They explained that using the aforementioned enrollment projections, a very high level budget forecast was done and it showed a large drop in fund balance, going negative over five years, one showing what a budget holding to the board-set minimum fund balance policy would look like, and then finally what cuts would be required to achieve the results shown.
 - d. Mr. Gerdes presented the district's recommendation for cuts. With current assumptions, we do not recommend any general cuts next year. However, \$3.3 million need to be cut over two years due solely to reduced federal revenue, so we recommend cutting half of it each year, leading to a recommendation of a \$1,660,277.50 cut for the ESSER funds next year. Motion by Mr. Engbrecht to approve the recommended cuts, seconded by Mr. Bente. Motion passed.
 - e. Mr. Gerdes presented the property tax levy debt service summary, explaining that the last payment for the high school addition as well as the last payment on the abatement bonds will both be in FY24. As we generally like to keep property taxes consistent, we'll have a drop off in taxes that would allow for \$28,500,000 in LTFM bonds without any additional taxes to the taxpayer, which would fund many of the projects identified in the building needs assessment. Mr. Olson expressed concerns regarding artificially inflating taxes and creating projects, and Mr. Gerdes showed the building needs assessment, explaining that the actual need is higher than the \$28,500,000. Motion by Mr. Bellingham to approve, seconded by Mr. Engbrecht. Motion passed.
 - f. Mr. Gerdes presented the building needs assessment, breaking down the need into urgent items needing attention within the next two to three years, items requiring action within five years, and those that can wait longer. The total needed within ten years is roughly \$28,500,000.
4. Next Meeting February 13, 2023 at 7:30am.
 5. Motion by Mr. Engbrecht to adjourn the meeting, seconded by Ms. Fox. Meeting adjourned at 9:02 am.

Respectfully submitted by Christopher Nelson